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The Local Economic Competitiveness of Rural Hometowns for Overseas Remittances-Induced Investments: Two Case Studies from the Philippines

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Alvin P. Ang* and Jeremaiah M. Opiniano†

Abstract

Rural communities of origin play an important role in harnessing the development potential of overseas remittances. This role is to enable and ensure an economically competitive locality for all entrepreneurs and investors (including town mates working and residing abroad). This qualitative case study research illustrates the local economic competitiveness conditions of two rural municipalities in the Philippines. Assessing local economic competitiveness will help ascertain the roles being played by local communities and their authorities. Findings here can also provide indications on how overseas town mates' remittances have changed in response to prevailing local competitiveness conditions.

Qualitative findings here were part of a mixed methods tool, called the Remittance Investment Climate Analysis in Rural Hometowns (RICART), which employed the rapid rural appraisal (RRA) method. A global framework and a nationally applied index on local economic competitiveness were used as guides to analyze RRA findings. It was found that these municipalities have prevailing bottlenecks that limit the economic competitiveness of the locality—and the situation may deter prospective migrant town mates abroad from investing and doing business in their hometowns. Not surprisingly, interventions of local governments to improve their local investment conditions matter.

Keywords: Overseas remittances; hometown investing; local economic competitiveness; local investment climate; Remittance Investment Climate Analysis in Rural Hometowns (RICART)

JEL codes: D14 (household saving; personal finance), F22 (international migration), F24 (remittances), R11 (regional economic activity)

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List of abbreviations and acronyms

ATM	Automated teller machine
BOSS	Business one-stop shop
CBU	Capital build-up
CFO	Commission on Filipinos Overseas
CMCI	Cities and Municipalities Competitiveness Index (Philippines)
DILG	Department of the Interior and Local Government (Philippines)
DTI	Department of Trade and Industry (Philippines)
IRA	Internal revenue allotment
LEIPO	Local Economic Investment Promotions Office/r
LGU	Local government unit
LGOO	Local government operations officer
LIIC	Local Investment Incentives Code
MoC	Microeconomics of Competitiveness
NELM	New Economics of Labor Migration theory
NGO	Non-government organization/s
NHTS-PR	National Household Targeting System for Poverty Reduction
OFW	Overseas Filipino worker/s
OWWA	Overseas Workers Welfare Administration (Philippines)
PDIC	Philippine Deposit Insurance Corporation
PIP	Pillar integration process, for mixed methods
RICART	Remittance Investment Climate Analysis in Rural Hometowns
RRA	Rapid rural appraisal
SGH	Seal of Good Housekeeping (defunct)
SGLG	Seal of Good Local Governance
USAID	United States Agency for International Development

1. Introduction

Overseas remittances directly benefit households who spread economic risks and send family members abroad (Stark 1978; Stark and Bloom 1985). Benefits these households receive from remittances are largely economic. At the same time, the productive use of remittances in the origin locations and immediate surrounding areas of overseas migrants and their families starts the process of generating the direct and indirect benefits of these remittances (Taylor 1999; Taylor et al. 1996; Cohen 2005). Economic benefits that communities derive from remittances include: *consumer demand* for goods and services (Cohen 2005); *enterprises opened* using disposable or saved remittance earnings; *people hired locally* for purposes related to remittance usage (e.g., workers for migrant-owned farms or non-farming enterprises; laborers of migrants' housing construction projects) (Taylor 1999); migrant-financed *hometown donations* for development projects (Opiniano 2012); as well as *savings and investments* deposited in the locality's financial institutions (Ang and Opiniano 2016a; 2016b; 2016c). There are even monetary estimates in some communities of what is called the multiplier effect or spill-over benefits of remittances to non-migrants (Taylor and Dyer 2009).

Communities of origin are often the 'last-mile' destinations of dollar remittances. This last mile pertains to the receipt of money by financial institutions *and* the eventual usage of the remittances (Mellyn 2003). This last mile is where the development potential of these resources happens locally. Remittances obviously link migrants abroad with people and institutions in these origin communities (Ang and Opiniano 2016a). This is why remittances are a type of development financing that provides economic opportunities to these origin communities, with rural areas—geographic areas frequently marked by underdeveloped socio-economic conditions—reaping visible benefits from this privately owned windfall called remittances. Nevertheless, remittances do become positive inputs to local communities if these origin locations provide conducive conditions (e.g., available infrastructure, functioning financial

institutions, efficient business registration systems) to make these monies work for local development (Taylor et al. 1996; Orozco 2002).

Thus, this study seeks to determine what origin rural communities of migrants do to make their localities economically competitive so that overseas remittances may be used for investment. This research considers the question: *what is the role of the origin community of overseas migrants in attracting dollar remittances as hometown investments?* This exploratory case study research seeks to answer such questions by presenting findings from a rapid rural appraisal (RRA) method implemented in two agricultural municipalities in the Philippines. The RRA (Beebe 1995) implemented here is part of a mixed methods research project that assesses the conduciveness of the remittance investment climates of migrants' rural origin communities. This paper thus treats the research site, the rural municipality, as a *unit of analysis* where qualitative data are gathered. This qualitative research contributes to the literature on the remittances-and-local development nexus by piloting a framework on local economic competitiveness that can provide indications as to whether communities are suited for such remittance-induced investments.

2. Literature Review and Framework: Remittances, Local Development and Local Economic Competitiveness

2.1 What local conditions to observe?

Taylor and colleagues (1996) argue that local communities may need to have some basic conditions met in order to stimulate the investment of remittances "in productive activities at home" (p. 41). For a local community, the recommendation of these eminent migration scholars is:

> "…to get its economic house order and to finance public works and infrastructure that will ensure a high return to investments made by migrants in their home communities. Without these changes, the establishment of village cooperatives, workers' companies, special banks, or other local schemes designed to channel foreign earnings into productive enterprises are likely to fail…" (Taylor et al. 1996, 411).

The quote above reveals the broad strokes of what communities must necessarily have to lure these investments from foreign remittances. However, the authors did not provide empirical details on what these local conditions should be. Under the theme of *enabling environments*, some migration-and-development analysts set out national-level pre-requisites for migrants and their remittances to be harnessed as development actors. Manuel Orozco (2002) lists five elements: 1) Presence of a significant number of economic players, 2) Communication and networking efforts, 3) Readily available information about remittance transactions, 4) Policy, business initiatives and ventures aimed at key economic sectors, and 5) Resource availabilities to enhance (migration-and-development) initiatives and motivate players.

Jennifer Brinkerhoff (2012) says an enabling environment for *diasporas' participation in homeland development*—through remittances, diaspora philanthropy, knowledge transfer, investment / business development, and policy influence (p. 82)—requires the governments of migrants' origin countries to demonstrate certain "roles." These are: 1) *Mandating roles*, to cover the legal and regulatory framework that affects migrants, such as citizenship rights and encouragement of migrants to form nonprofit and philanthropic organizations and businesses; 2) *Facilitating roles*, giving migrants incentives and opportunities to participate in diaspora-for-development activities (e.g., investment summits for migrants, networking conferences); 3) *Resourcing roles*, or the provision of complementary resources to match resources pooled by migrants/the diaspora for homeland development initiatives; 4) *Partnering roles*, where government agencies pro-actively partner with migrant or diaspora organizations;

and 5) *Endorsing roles*, where government agencies endorse, publicize and legitimize the contributions of overseas migrants/diasporas to homeland development (Brinkerhoff 2012, 82-87).

The above *elements* and *roles* that are considered to be conducive for remittances and supportive of overseas migrants' development efforts for home countries are situated at the *macro-level*. However, given many examples of how migrants and their remittances contribute to local development (e.g., Conway and Cohen 1998; Cohen 2005; De Haas 2006), the migration literature did not develop certain indicators of conducive economic/business/investment conditions for local communities to make remittances productive locally.

Research and theorizing may have also not contributed to advancing this stream within the migration-and-local development literature. This is because most of the studies on remittances and development have employed households as the units of analysis (Taylor et al. 1996), observing how remittance recipients use their dollar incomes. Such study approaches "do not constitute a test for the full range of effects that remittances have on economic behavior within families and communities" (Taylor et al. 1996, 403). Theoretically also, given the frequent use of the New Economics of Labor Migration (NELM) theory (Stark 1978; Stark and Bloom 1985), studies focused on how households mitigate economic risks through migration and utilize their resources (i.e., remittances) to improve economic conditions. The NELM is a household-centric theory (Taylor 1999), thus ignoring the community and its role to make remittances work for local development.

Methodologically, the analyses of these origin communities of overseas migrants were household-centric. There have been studies that, as background information, have merely *described* the economic and social conditions of origin communities (e.g., Faeamani 1995; Maphosa 2007; Ncube and Gomez 2011; Nzima, Duma, and Moyo 2017). A few studies have employed mixed methods to describe the investment conditions of local communities *side-by-side* with the financial behaviors of residents (Ang and Opiniano 2016a; 29016b; 2016c).

Thus, there is no framework that can help produce empirical outcomes to gauge the origin communities of migrants. Moreover, the literature still does not provide a clear picture of the roles of origin communities in relation to remittances. More importantly, the literature still does not outline what local conditions should be present so that local communities are economically competitive and, thus, alluring for remittance-induced investments.

This is where prevailing discussions from outside the migration literature may be helpful. For example, in the entrepreneurship literature, Andersson and Henrekson (2014) noted that local policies designed to contextualize the conditions of the locality are important. This is because the effects of a community's institutional environment for entrepreneurship and investment "are especially high at the local level" (Andersson and Henrekson 2014, 23).

2.2 Framework: Links between local economic competitiveness and remittances

Presently, there are no available studies on overseas remittances and local development that have provided a framework and a corollary methodological approach to assess the origin community. This research considers the concept of *competitiveness* to benchmark communities' economic activities and their relationship to remittances.

Michael Porter (2000; 2004) originally defined competitiveness in the context of entire nations. He later expounded that national competitiveness is largely dependent on the competitiveness of smaller geographic units. Porter (2004) espoused competitiveness in this manner: "National prosperity is strongly affected by competitiveness, which is the productivity with which a nation uses its human, capital, and natural resources. Competitiveness is rooted in a nation's microeconomic fundamentals, manifested in the sophistication of its companies and the quality of its microeconomic business environment" (71).

Productivity is the empirical measure of true competitiveness, says Porter. Productivity here spans individuals, microeconomic business environments, local firms, including social

services. These socio-economic aspects all matter for competitiveness, since these aspects influence a location's cost of living, people's abilities to be productive, and the cost of doing business (Snowdon and Stonehouse 2006).

Geography is built into the competitiveness concept of Porter, with its roots at the micro-level. It is in this respect where Porter proffered the *Microeconomics of Competitiveness* or MoC. This MoC concept is anchored on three inter-related areas: a) the sophistication and capabilities with which firms and other economic actors compete; b) the quality of the microeconomic business environment in which firms operate; and c) the state of development of clusters that provide benefits through the proximity of related firms and institutions. Microeconomic conditions then translate into opportunities that are created by macro-economic political, legal and social contexts, and the endowments of natural resources and geographic location (Porter 2004, 53).

The basic framework of competitiveness is the *Diamond Model* that helps determine the competitive position of a geographic area. Porter also calls this diamond the "quality of the regional business environment," as this has been applied in the analysis of certain economic industries in a geographic area, as well as for firms. Factor conditions, demand conditions, contexts for firm strategy and rivalry, and the presence of related and supporting industries make up this diamond model (Porter 2004).

Countries have adopted Porter's Diamond Model and developed various indicators of competitiveness based on these microeconomic concepts. Indicators developed under micro-economic competitiveness take into consideration local data availability, country-level contexts, and the global comparability of data. These regional and local competitiveness indices[1]

[1] Examples of local competitiveness indices include the United Kingdom's Competitiveness Index (www.cforic.org/pages/ukci2016.php) and Australia's Regional Competitiveness Index (www.regionalaustralia.org.au/home/tools-and-products/insight/). With support from the United States Aid for International Development (USAID), similar indices have been designed for developing countries like Vietnam (Provincial Competitiveness Index, http://eng.pcivietnam.org), El Salvador, Kosovo (Municipal Competitiveness Index; www.indicemunicipalelsalvador.com for El Salvador, and http://www.kmuforschung.ac.at/images/stories/Forschungsberichte/2015/KOSME/00%20mcrreport.pdf

carry a general set of indicators that cover areas such as local economic activities, efficiency of government services, and infrastructure (e.g., Luz and Ang 2013).

The MoC concept and its indicators now provide the specific local conditions required for overseas remittances to work for local development. In this paper, we posit that communities with competitive environments will be able to maximize the productive use of remittances that flow through it. Competitive communities as measured by the indices mentioned are not necessarily in urban areas, but they have the necessary infrastructure mentioned by Taylor and colleagues (1996), i.e., having the required economic productivity based on its human capital development, having the basic social and economic infrastructure for mobility and logistics, and having a working governance mechanism.

The Philippines applied the diamond model of Porter (2004) through the Cities and Municipalities Competitiveness Index (CMCI). Since 2013, this CMCI has provided an annual assessment of localities' competitiveness. With the help of the CMCI (now under the Department of Trade and Industry), a number of rural municipalities are able to perform well in attracting economic investments, given their good performance. Hence, rural communities that are able to retain overseas remittances are those that are competitive compared to communities that are not. Less competitive communities eventually lose remittances sent to their places, which instead go to the nearest urban area—or worse, to cities or to the nation's capital (e.g., Metro Manila).

Figure 1 is a framework that integrates remittances with the local competitiveness of a migrant's rural hometown. The endowments of the (rural) hometown are human and natural resources. Migrant workers who have decided to work and live abroad are part of the local endowments of the hometown. Working overseas allows these rural town mates to send international remittances, which migrant families mostly spend in their hometowns. If a hometown's three competitiveness pillars—economic dynamism, government efficiency and

for Kosovo), and the Philippines (Cities and Municipalities Competitiveness Index).

infrastructure (Luz and Ang 2013)—are developed, then migrant families will not only spend them locally. They will most likely save, invest and engage in business. Remittances here expand beyond consumption, creating a higher multiplier effect in the community and allowing the rural hometown to improve its local competitiveness (measured by increasing local per capita income). In the event that the three competitiveness pillars remain weak in a rural community [refer to Figure 1], consumption, investment, savings and business will likely move out to other locations where the pillars are stronger.

Determining how these three competitiveness pillars operate locally and whether overseas remittances respond positively to these may require a mixed methods methodological approach. This approach will utilize the hometown and its residents as units of analysis.

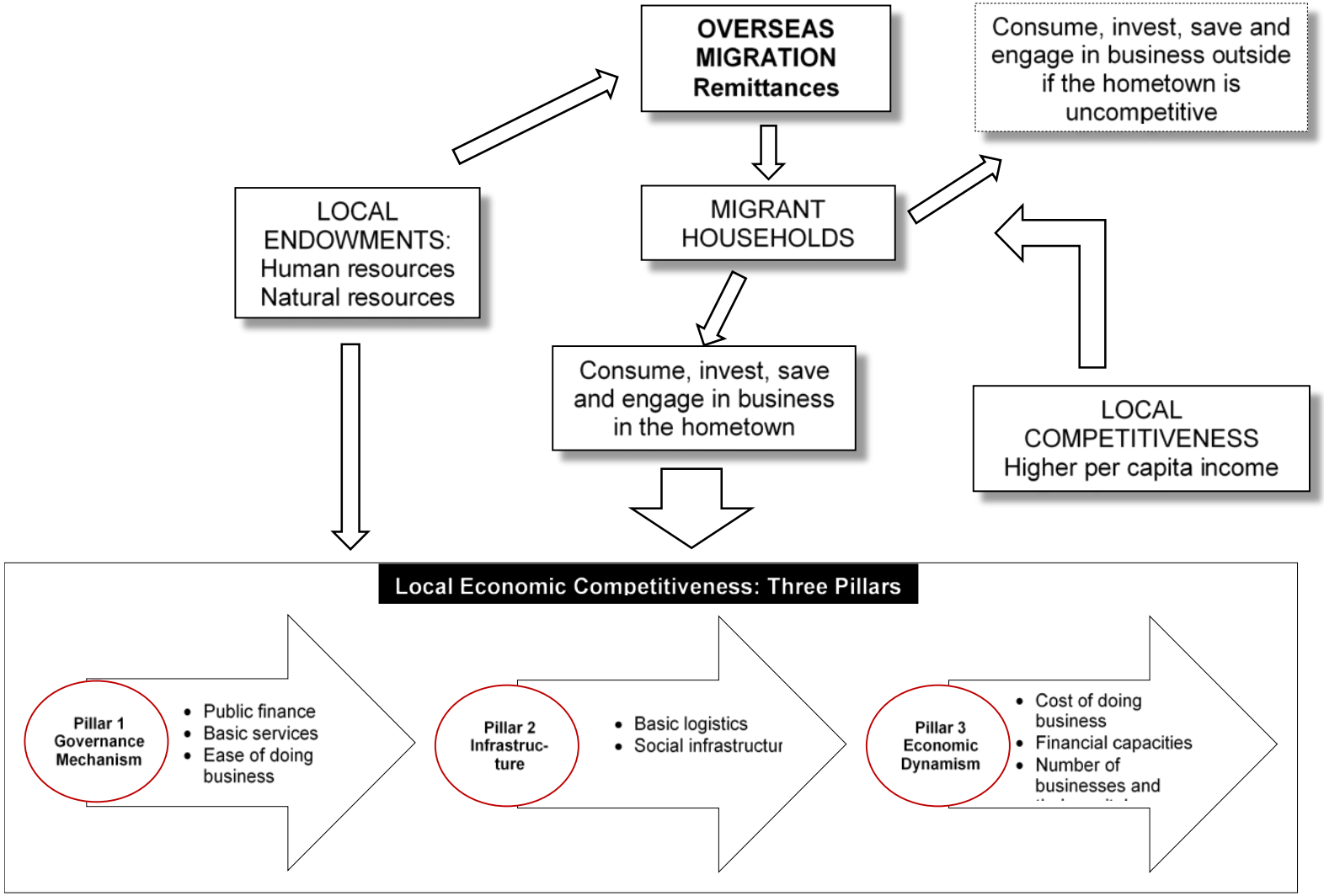

Figure 1: Framework on local economic competitiveness and overseas remittances *Source*: Authors.

3. Research Design

Ascertaining the roles of hometown communities' local economic competitiveness in efforts to use remittances productively is the objective of this qualitative research. This qualitative case study research is part of a project that implemented a mixed methods tool called RICART (the Remittance Investment Climate Analysis in Rural Hometowns). This tool can be used to determine the conduciveness of overseas migrants' rural birthplaces for remittance-induced investments, and the financial readiness of rural households to make those investments (Global Development Network 2018; Ang and Opiniano 2016a). RICART was conducted in two municipalities: Dingras in Ilocos Norte province (northwestern part of Luzon Island), and Bansalan in Davao del Sur province (southern part of Mindanao Island). Dingras is remote from the nearest provincial city. Bansalan is located just beside a city. The proximity and remoteness from their nearest cities were the basis for selecting these two rural communities.

3.1 Rapid rural appraisal

RRA was employed as the qualitative research design of RICART for Dingras and Bansalan. Rapid appraisal in general is an "approach for developing a… qualitative understanding of a situation" (Beebe 1995, 42). RRA uses a systems perspective to look at the locale where the phenomenon operates. RRA also employs multiple data gathering methods and looks at both the methods employed and data collected repetitively or iteratively. These features of RRA as a method lead to a "flexible but rigorous approach" to gathering qualitative data (Beebe 1995).

The RRA done in Dingras and Bansalan involved researchers from the disciplines of economics, business, geography and development studies. Fieldwork was conducted between August 2016 and May 2017, with RRA running along with quantitative surveys of migrant and non-migrant households (N=200 households apiece per respondent-group, per hometown). The RRA approach was also based on the CMCI. This Index has three major indicators to assess a

place's competitiveness: *economic dynamism, government efficiency* and *infrastructure* (one additional indicator was added in 2018, *disaster readiness* [this indicator is not included in this paper]).

Fieldwork for the RRA took place from August to December 2015. Researchers then collected additional qualitative data from outside the two municipalities in 2016-2017. The following data-gathering methods were employed under RRA:

- ***Documentary analysis***. This long-standing method and "systematic procedure" of understanding a case or a phenomenon saw researchers collect printed and electronic data (as well as artifacts and other types of data). Documentary analysis methods implemented here involve the review and evaluation (printed and electronic) of documents so as to decipher meaning, elicit understanding, and generate empirical knowledge (Bowen 2009, 27). It is important to note that these documentary data were generated without any interventions (e.g., questions posed) from researchers.

The CMCI data served as a guide for the documentary data collected. The two towns' competitiveness data for the CMCI covered the years 2011 to 2017. Other official documents, reports and ordinances were also collected from Dingras and Bansalan to verify CMCI data.

- ***Key informant interviews***. Documentary analysis data were then complemented with face-to-face, anonymized key informant interviews with local stakeholders. Local civil servants, financial institutions, community groups, entrepreneurs and overseas migrants/migrant households were identified through purposive and referral sampling, and interviewed privately in their offices or, for some, their residences [see Table 1]. Ethics approval for this research involving human subjects was granted by the Philippine-based Ateneo de Manila University (AdMUREC_16_006, dated 9 June 2016).

Local officials provided explanations on how their respective municipalities provide interventions to the economic development activities of the rural birthplace. These include property rights and valuing, business permits processing, local income generation, employment

facilitation for workers, agricultural development, tourism, and local investment promotion. For their part, financial institutions' views were sought on their financial products and services for residents, including town mates working and residing abroad. Local entrepreneurs meanwhile helped situate the locality's business conditions vis-à-vis their business operations.

Table 1: Respondents

	Dingras (N=23)	Bansalan (N=35)
Financial institutions operating in the locality	6	3
Locality's civil servants	7	14
Local entrepreneurs	-	10
Vacationing overseas townmates	2	-
Overseas migrant households with hometown businesses	4	4
Overseas migrant households without hometown businesses	4	4

It was mentioned above that RICART employed market surveys with migrant and non-migrant households. While this paper is qualitative in design, *some results* from the market household surveys will be presented here. These results cover: average household incomes and average remittances received, as well as the number of migrant/non-migrant household savers, investors and entrepreneurs in Dingras and Bansalan. These selected survey data hope to determine how overseas remittances make their way in Dingras and Bansalan, given prevailing local competitiveness conditions there.

3.2 Data analysis

The investment conditions of Dingras and Bansalan are to be presented as comparative case studies. Coding of qualitative data—administrative and secondary data, plus interviews—was done with the CMCI's major indicators as a *priori* guides [see Table 2].

Table 2: Indicators of the Philippines' Cities and Municipalities Competitiveness Index

Areas and themes	Indicators
A. Economic dynamism	
• Size of the economy	A1. Number of annual business registrations (new and renewal) A2. Amount of money in circulation A3. Total capital of local businesses (new and renewal)
• Growth of economy and investments	A4. Change in gross sales (total) of registered business (renewal) from past year A5. Change in the number of construction permits and/or occupancy permits approved for business and non-business
• Employment	A6. Number of jobs created for new registration
• Cost of living	A7. Cost of Living (inflation rate, power and water rates, cost of rental)
• Financial deepening	A8. Number of commercial, rural, thrift banks, microfinance institutions, cooperatives and registered lending companies
• Productivity	A9. Gross sales over revenue (total) for the past year over number of employment
• Business groups and associations	A10. Number of organized business groups in the locality
B. Government efficiency	
• Transparency and accountability	B1. Transparency score (according to the Philippines' local government performance monitoring system or LGPMS), with the following indicators at hand: B1.1. Presence of public information office B1.2. Extent of communicating mediums to update local plans B1.3. Accessibility of public documents B2. Economic governance score (according to the LGPMS) on entrepreneurship, business and industry promotion, and with other sub-indicators: B2.1. Capacity to generate resources (% of real estate and business tax to total tax collected by the local government) B2.2. Quality of civil application system to the business sector B2.3. Processing time of building, business and occupancy permits B2.4. Quality of direct support services to businesses/enterprises; and B3. Local government's savings / debt as share of the total revenues of the local government
• Public finance	B4. Real estate tax and business tax to total local government revenues
• Recognition of performance	B5. Relevant competitiveness awards conferred unto the local government
• Responsiveness to business	B6. Business registration system for: a) Total new applications; b) Renewal permits; c) Construction permits; and d) Presence of an investment promotion unit or office
• Basic government services	B7. Effective local disaster risk reduction and management plan B8. Crime incidence B9. Capacity of local secondary schools B10. Availability of health services
C. Infrastructure	
• Basic infrastructure	C1. Size of local road network as share of total land area C2. Travel time from center to major ports nearest to the local government C3. Percent of annual investment in infrastructure in locality C4. Number of registered vehicles servicing the area (public, private) C5. Percent of households in locality with connection to basic utilities (telephone, water, electricity, Internet) C6. Average hours of availability of electricity and water per day
• Technology infrastructure	C7. Number of cellular phone sites C8. Total number of automated teller machines (ATMs) in locality
• Social and tourism infrastructure	C9. Ratio of hospital beds per area's population C10. Number of hotel rooms

Source: (Former) National Competitiveness Council, in Luz and Ang (2013)

In terms of data saturation, the RRA data helped achieve not just data saturation but verification (Uprichard and Dawney 2019), surrounding local economic competitiveness. When examined iteratively, documentary data and interviews complemented and even contradicted each other—revealing what is perhaps the pragmatic nature of rural hometown investing in Dingras and Bansalan.

It is also important to note that the qualitative methods employed here sought out the voices of local economic actors (Starr 2014). The researchers collected their views and then validated preliminary qualitative findings and quantitative results (the latter from the household surveys) by presenting these during half-day hometown conferences in both municipalities.

Given this inclusion of some household survey data, researchers will present mixed methods inferences by presenting these survey results together with the qualitative data from the rapid rural appraisal. Thus, mixed methods inferencing and analysis will be presented through a *joint display table* (Creamer 2018), a data display that depicts both quantitative and qualitative data. A specific joint display technique used by researchers here is the *pillar integration process* or PIP (Johnson, Grove, and Clarke 2019), that allows thematic correspondence between quantitative results and qualitative findings. PIP also has its joint display table format [see Appendix A]; in the middle of this table is a *pillar integration theme* or the mixed methods inference itself—allowing researchers to interpret the t*hematized and integrated* datasets. “Cuts of data” from both quantitative results and qualitative findings (Uprichard and Dawney 2019) were taken to perform mixed methods integration using PIP (Johnson, Grove, and Clarke 2019).

3.3 Research sites

The Philippines classifies provinces, cities and municipalities according to the incomes these places earn (highest is first-income class and the lowest is sixth). Bansalan is a first-class income municipality in Davao del Sur province that is some 22 km west of the capital Digos City.

Bansalan has 25 barangays. Davao del Sur is situated beside Davao City, the administrative capital of the Philippines' Davao Region (Bansalan lies 72 km from Davao City, with easy connections).

Dingras (second income-class) is one of the oldest established towns of Ilocos Norte province, founded by the Spanish in 1598. Dingras is the “rice granary” of Ilocos Norte; the town also has 31 barangays. Dingras is 36 km from Laoag City, the provincial capital. Heading to Dingras from Laoag, travelers on public transport will pass through the neighboring municipality of Sarrat.

As of the 2015 Philippine Census, Bansalan has 60,440 residents compared to 38,562 in Dingras. Bansalan has 14,913 households versus the 8,757 households in Dingras; average household size is 4.1 members for Bansalan and 4.4 members for Dingras. Both municipalities, however, have declining population growth rates. The 2010 and 2015 Philippine censuses show that population growth in Dingras dipped to 0.78 percent [from 1.24 percent in 2010], while that of Bansalan slid to 1.29 percent [from 1.49 percent five years prior]. Some 29 percent of residents live in Bansalan’s only two urban barangays, while all of Dingras’ 31 barangays are classified as rural.

Lowland farmers in Bansalan grow rice, corn, banana, coconut and sugarcane; their highland farmer-counterparts plant coffee vegetables and fruits. Farmers in Dingras grow rice and another major crop that is a staple in the Ilocos region: tobacco. Dingras is also known to have social organizations for irrigation, called *zanjera*, that have persisted for more than a century (Ostrom 1990) and continue to bolster the municipality’s agricultural productivity.

Bansalan has higher poverty levels than Dingras. Citing the second round of the Philippines’ National Household Targeting System for Poverty Reduction (NHTS-PR), undertaken for the government's conditional cash transfer program, 30.67 percent of Bansalan’s households were identified as belonging to the poorest category (total N=4,573 households), compared to only 13.92 percent for Dingras (total N=1,218 households). Such trends for Dingras

may be attributed to how overseas migration in the entire Ilocos Norte province[2] has helped households economically.

4. Findings: Local Competitiveness Conditions of Rural Hometowns

Findings for both municipalities are presented based on three major indicators of the CMCI. After presenting the municipalities' local competitiveness conditions, their responsiveness to the overseas migration phenomenon, and indications of whether the communities' migrant town mates abroad are saving and investing in their hometowns, will be examined.

4.1 Infrastructure

Dingras (land area: 17,962 ha.) has a total road network of 256.039 km. Electricity supply to 31 barangays of Dingras (covering 8,456 household connections, or 96.5 percent of total households) is provided 24/7 by the Ilocos Norte Electric Cooperative. Meanwhile, the same 24/7 services for water come from the Dingras Water District. However, only 1,128 households (or 12.8 percent of total households) are being serviced; the rest use shallow tube wells. Dingras is also served by two cable television firms, three cellular phone sites run by three leading Philippine telecommunications companies, and by two commercial banks through off-site automated teller machine (ATM) units.

In terms of transportation, five bus lines pass through Dingras; 244 jeepneys travel between Dingras and Laoag City as 438 tricycles ply routes around the municipality. Ilocos Norte's Laoag Airport is 27.6 km from Dingras. Dingras is also 18.3 km distant from Laoag

[2] The province was mentioned because it has a storied history of overseas migration by its residents. The first recorded Filipino labor migration in the 20th century was from Ilocos Norte in 1906, when sugar plantations from the US state of Hawai'i recruited workers in Ilocos Norte. To this day, "Hawaiianos" (Ilocanos who went to that US state) play a major demographic and cultural influence across the province, including Dingras (Pertierra 1992). The province's governor even said that her province mates are "a bunch of remittance addicts" (Edwards 2015).

City's land transport terminal, and 44.7 km distant to a seaport (found in the Municipality of Currimao). There are no tourist accommodation places in Dingras, even if the town has five tourist attractions: the ruins of a church, a museum in honor of a local heroine, a dam that sees people swim (Madongan Dam), virgin caves, and waterfalls (Pizarro 2017).

Bansalan (land area: 20,770 ha.) has a total road network of 412.2 km, including some 40.78 km of unpaved roads. Bansalan has three hotels, a resort, five tourist inns and ten apartelles—all with a total of 180 rooms. A Catholic parish church, a conservation area called the Mindanao Baptist Rural Life Center, and the Bansalan trail to the Philippines' tallest mountain (Mount Apo) are Bansalan's tourist attractions (Bansalan Cooperative Society n.d.; Bansalanwow, n.d.).

The Davao del Sur Electric Cooperative provides 24/7 electricity supply to the 25 barangays of Bansalan. However, only 79 percent of Bansaleño households (N=11,781) are serviced. Meanwhile, the same 24/7 services for water come from the Bansalan Water District, but these services only reach 60 percent of households (N=8,947). Bansalan is served by one cable television company, five internet providers (all based in Digos City), and the three leading Philippine telecommunications companies. Given the presence of one commercial bank and two rural banks in Bansalan, the town has three on-site and one off-site ATMs.

In terms of transportation, five bus lines and their 85 buses provide services in Bansalan. About 29 jeepneys, 260 registered tricycles and eight passenger vans ply the roads of Bansalan; the town also has registered some 328 non-motorized vehicles. There is an international airport and a domestic seaport in Davao City, from which Bansalan is at least 80 km distant. Bansalan also has its own land transport terminal (mostly used for buses).

Dingras had six public secondary schools and two privately run secondary schools; Bansalan has five public and three privately run secondary schools. Dingras and Bansalan have a total of 72 and 109 classrooms, respectively, for their secondary schools. Neither town has a university or a technical vocational school. Bansalan has one public health clinic, three private

clinics, a diagnostic center, and three privately run hospitals (with a total of 264 beds). Dingras has no public health clinic, 12 privately-run health clinics and a public hospital (with a total of only 22 beds).

4.2 Economic dynamism

Both municipalities have contrasting experiences in regard to their local economic growth. Bansalan has been maximizing the gains of its proximity to the province's capital city, whereas Dingras largely relies on its own agricultural sector.

In terms of local entrepreneurship, local revenue generation and the banking resources of both towns [see Table 3, covering a seven-year period], Bansalan has registered a gradual increase of registered businesses annually, reaching 836 in 2017; Dingras has episodes of growth and decline in business registrations. Dingras' latest-declared number of employees from registered firms is only a third of Bansalan's. In terms of gross sales by locally registered firms, Bansalan posted P1.285 billion (US$24.71 million) in 2017. Dingras had a three-year period of over-P400 million in gross sales until the number decreased to P275 million (US$5.29 million) in 2017. Dingras may have higher amounts of total capitalization for newly registered businesses compared to Bansalan.

Financial inclusion. Bansalan has commercial and rural banks operating locally, plus it has a homegrown cooperative (Bansalan Cooperative Society) and some microfinance NGOs. There are currently over 24,000 savings accounts registered with Bansalan's banks, covering deposits worth some P2.429 billion (US$46.7 million).

Dingras only recently had its bank deposits data segregated by the Philippine Deposit Insurance Corporation (PDIC 2016), starting in the second half of 2017. As of the end of 2017, the lone-operating bank in Dingras (a branch of Rang-ay Bank, a rural bank) handles 576 savings accounts and P26.44 million (US$0.50 million) worth of deposits. During the study

period, the Bangko Sentral ng Pilipinas placed the Rural Bank of Dingras under receivership on November 4, 2016. Depositors were able to recover their deposits of up to P500,000 (US$9,615.38) thanks to PDIC's mandated deposit insurance. This development may have dampened residents' trust toward placing money in banks.

Bansalan houses one commercial bank, two rural banks, 10 microfinance institutions (NGOs and lending companies) and three cooperatives. Dingras, since 2018, has one remaining rural bank, as well as four microfinance NGOs and four cooperatives. Cooperatives and microfinance NGOs have loan and savings products (cooperatives have shared capital [or capital build-up, CBU], considered as members' savings).

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Costs of doing business. Except for the cost of water services and of diesel, Dingras has a lower cost of doing business than Bansalan [*see Table 4*]. The higher minimum wage of workers in Bansalan is due to higher economic growth in the Davao region, compared to Dingras' Ilocos region. Even if agriculture seems more robust in Dingras, minimum wages for agricultural workers there are lower than Bansalan's.

Some entrepreneurs in Bansalan acknowledged they have improving local business conditions; the limited number of public vehicles may have even become an advantage as entrepreneurs would rather buy products within Bansalan. The situation may have also brought out local competition for similar products and services and, thus, fewer customers. Entrepreneurs have also seen non-registered businesses (called locally as *arka bala*) operating [Bansalan FGD]. This rising business activity is amid peace and order concerns (Bansalan had an incident where suspected rebels killed four policemen [Magbanua 2017]). While water costs in Bansalan are cheaper, some entrepreneurs lament "low water supply" and perceive issues affecting the local water district. Bansalan has higher electricity costs and four-hour rotational brownouts [Bansalan FGD].

Table 3: Business, local revenues and bank resources in Dingras and Bansalan (USD1 = PhP52)

	2011		2012		2013		2014		2015		2016		2017	
	Dingras	Bansalan	Dingras	Bansalan	Dingras	Bansalan	Dingras	Bansalan	Dingras	Bansalan	Dingras	Bansalan	Dingras	Bansalan
Number of registered businesses (new & renewal) [1]	265	NDA	278	651	355	612	363	645	324	669	259	677	315	836
• Declared number of employees in registered businesses (new, renewal) [1]	284	NDA	278	NDA	355	547 *	635	274	638	681	579	1,069	474	1,402
• Gross sales of registered firms (in million PhP & US$) [1]	P152.08 ($2.92)	NDA	P39.50 ($0.75)	NDA	P281.84 ($5.42)	P4.53 ($0.08)	P420.17 ($8.08)	P5.11 ($0.09)	P446.73 ($8.59)	P85.61 ($1.64)	P449.10 ($8.63)	P834.68 ($16.05)	P275.56 ($5.29)	P1,285.35 ($24.71)
• Total capitalization of *new* registered businesses (*in million* PhP & US$) [1]	P152.08 ($2.92)	NDA	P227.50 ($4.37)	NDA	P281.84 ($5.42)	P1.17 ($0.02)	P400.17 ($7.69)	P2.26 ($0.04)	P446.73 ($8.59)	P3.50 ($0.06)	P12.73 ($0.24)	P18.68 ($0.35)	P13.12 ($0.25)	P7.35 ($0.14)
Total incomes of the local government, *in million* PhP and US$ (tax & non-tax revenues and external income sources)	P87.95 ($1.69)	P104.04 ($2.00)	P79.17 ($1.52)	P107.08 ($2.06)	P86.66 ($1.67)	P115.73 ($2.23)	P89.53 ($1.72)	P129.46 ($2.49)	P101.47 ($1.95)	P143.61 ($2.76)	P165.48 ($3.18)	P156.08 ($3.00)	P120.85 ($2.32)	P175.61 ($3.38)
Total local revenues of the local government, *in million* PhP & US$ (tax & non-tax revenues) [2]	P15.20 ($0.29)	P26.14 ($0.50)	P15.40 ($0.30)	P31.40 ($0.60)	P17.42 ($0.33)	P30.87 ($0.59)	P19.75 ($0.38)	P33.47 ($0.64)	P22.31 ($0.43)	P34.28 ($0.66)	P23.04 ($0.44)	P35.69 ($0.69)	P24.58 ($0.47)	P40.43 ($0.78)
• Business taxes [2]	P3.46 ($0.06)	P4.02 ($0.08)	P3.59 ($0.06)	P4.24 ($0.08)	P4.52 ($0.07)	P4.79 ($0.09)	P5.23 ($0.08)	P5.44 ($0.10)	P5.64 ($0.09)	P5.80 ($0.11)	P5.87 ($0.09)	P6.55 ($0.13)	P6.26 ($0.10)	P8.45 ($0.16)
• Real property taxes [2]	P3.39 ($0.06)	P3.71 ($0.07)	P3.63 ($0.07)	P2.79 ($0.05)	P3.66 ($0.07)	P3.17 ($0.06)	P3.98 ($0.07)	P3.88 ($0.07)	P4.55 ($0.08)	P4.25 ($0.08)	P5.05 ($0.09)	P3.77 ($0.07)	P5.10 ($0.09)	P4.29 ($0.08)
• Non-tax incomes [2]	P7.92 ($0.15)	P17.60 ($0.34)	P7.76 ($0.15)	P23.61 ($0.45)	P8.73 ($0.17)	P22.05 ($0.42)	P10.00 ($0.19)	P23.03 ($0.44)	P11.55 ($0.22)	P22.91 ($0.44)	P11.52 ($0.22)	P23.96 ($0.46)	P12.61 ($0.24)	P26.88 ($0.52)
Amount of deposits in banks operating in the municipality (*in million* PhP & US$) [3]	NDA	P544.45 ($10.46)	NDA	P596.00 ($11.46)	NDA	P721.01 ($13.86)	NDA	P776.74 ($14.92)	NDA	P972.05 ($18.69)	NDA	P1,166.95 ($22.42)	P26.44 ($0.50)	P1,336.86 ($25.69)
• Number of accounts registered in banks found in the municipality [3]	NDA	13,917	NDA	13,485	NDA	13,687	NDA	14,525	NDA	15,161	NDA	16,585	576	18,936
• Number of branches of banks operating in the municipality [2]	NDA	3	NDA	3	NDA	3	NDA	3	NDA	3	NDA	4	3	4

Sources of data: 1 - Cities and Municipalities Competitiveness Index (CMCI), citing local government data submitted; 2 - Bureau of Local Government Finance (BLGF), citing local government data submitted; 3 - Philippine Deposit Insurance Corporation (PDIC). NDA – no data available

Table 4: Indicators on the costs of doing business

	As of 2017	
	Dingras	**Bansalan**
Local inflation rate	2.0	2.9
Cost of electricity (P per kWh)		
• Commercial users	7.34	9.70
• Industrial users	7.34	9.56
Cost of water (P per m^3)		
• Commercial users	40.43	36.00
• Industrial users	40.43	36.00
Price of diesel (end-year)	42.00	35.69
Daily minimum wage (P)		
• Agricultural (plantation and non-plantation, as range)	243.00-252.00	335.00
• Non-agricultural (below- and above-10 workers, as range)	243.00-265.00	315.00-340.00
Cost of land in a central business district (P)	30.00	7,500.00
Cost of rent (P)	50.00	600.00

Source: Cities and Municipalities Competitiveness Index (CMCI), citing data submitted by Dingras and Bansalan

Entrepreneurs in Dingras have also felt rising business activity; some opportunities in certain business segments (e.g., meat vending, manufacturing puffed corn nut [called cornick]); and "less competition" in some prevailing businesses. Lower costs of rent and labor, as well as more market days in the town's public market, are a boon to local entrepreneurs. However, there is perceived insufficient capital, limited know-how by entrepreneurs on handling businesses, and insufficient marketing of the locality's products [Dingras FGD]. These entrepreneurs also note two developments affecting business: rising costs of rental fees in the public market, and price control that allegedly stirs unhealthy competition [Dingras FGD].

4.3 Government efficiency

This indicator pertains to the performance of the local government in ensuring a competitive locality. The issues covered here include responsiveness to business, public finance, local transparency and accountability, local governance recognition, and the availability of basic services.

As regards business processes, registering business permits only requires five steps in Bansalan versus the 20-to-24 steps in Dingras. As for building and occupancy permits, there are only nine and seven steps, respectively, to process these permits in Dingras versus the five and six steps for building and occupancy permits, respectively, in Bansalan. The development of business registration in Dingras led some entrepreneurs to remark on the perceived "difficulties" in acquiring business permits. Some requirements coming from national government agencies have made complying with these requirements "time-consuming" [DKI1-interview]. A business one-stop shop (BOSS) was planned in Dingras, but this did not proceed as a result of the non-compliance of some agencies with the procedures of the local government [DKI1-interview]. BOSS is usually set up every January when the bulk of Filipino entrepreneurs renew their annual business permits.

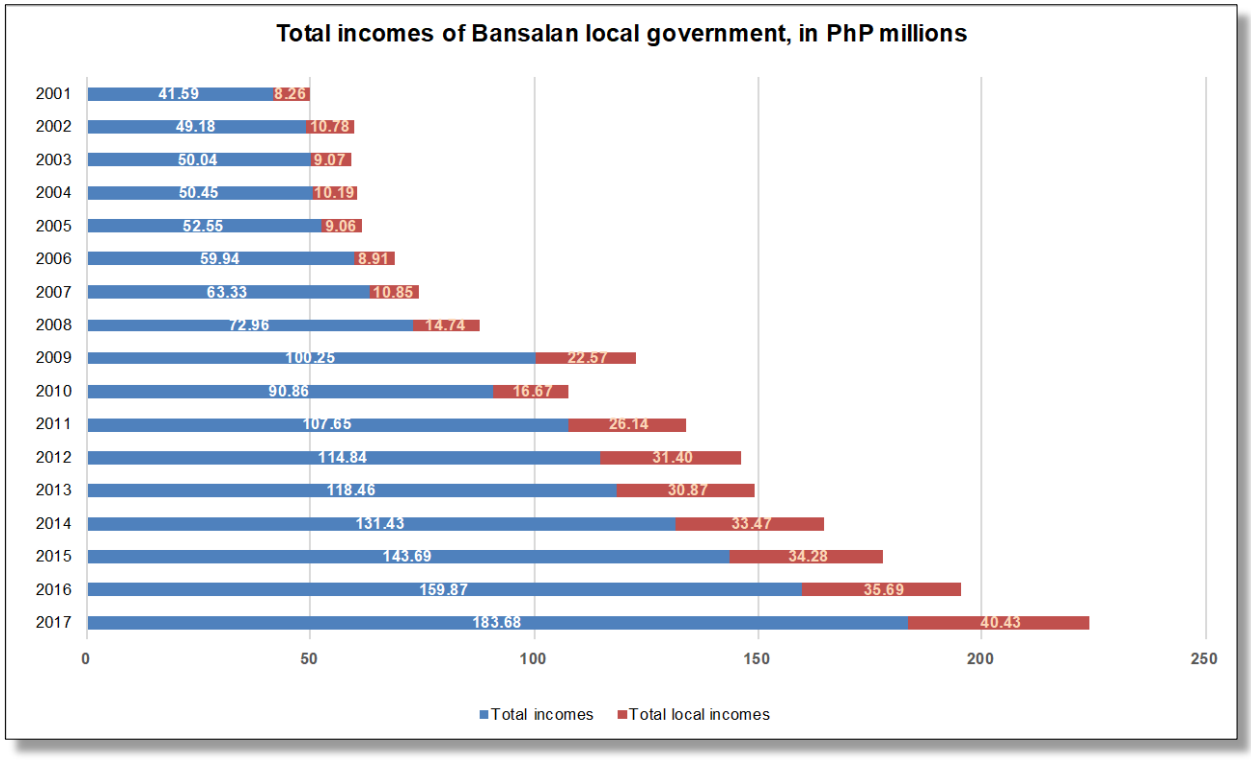
Dingras just launched its own BOSS after RICART was conducted there. Bansalan's BOSS has been in place for more than a decade. Bansalan civil servants, for their part, acknowledged that the number of steps to receive business permits must be reduced further [BKI-1, interview]. The business permits and licensing systems are automated in both municipalities (National Economic and Development Authority 2011, 186; Philippine Information Agency 2009).

The internal revenue allotment (IRA) remains the biggest revenue source of Philippine local government units. The Local Government Code of 1991 mandates this IRA as a share of national taxes. LGUs have also been given autonomy to raise revenues through taxation, through non-tax revenues, and through external income sources (which includes the IRA). In this regard,

Dingras and Bansalan appear to have remained dependent on IRA. Not surprisingly, Dingras is generating lower business taxes as a result of the lower numbers of registered firms [see Figure 2]. Moreover, real property and business taxes are not the major local revenue sources of both towns. The major local income sources are the local government-run enterprises, such as public markets, slaughterhouses, public cemeteries, among others [see Figure 3].

Contrasts can be seen in the local revenue generation efforts of Bansalan and Dingras. Even with the local presence of medium-to-large enterprises, and abundant micro- and small-sized enterprises and financial institutions (especially found in the center of town, where the public market is), the Bansalan municipal government may be underperforming in terms of collecting business taxes [refer to Figure 3 for Bansalan]. Either local firms avoid paying business taxes, or local collection efforts may not be as efficient. Dingras, for its part, may be relying heavily on its agricultural sector. Evidence of this observation in Dingras is the slow growth of annual business tax collections (predominantly coming from non-farming enterprises).

Dingras and Bansalan have duly enacted local investment incentive codes (LIICs) as municipal ordinances. Similar to many LIICs in Philippine local governments, those of Dingras and Bansalan provide incentives (tax and non-tax) to would-be investors depending on the size of their investment. Bansalan has an operational local economic and investment promotion office (LEIPO), something that Dingras lacks. Dingras may be underutilizing its LIIC, or investors find the geographic location of the municipality to be a barrier to investing. The observed cumbersome procedures of securing business, building and occupancy permits, and the recent closure of the homegrown rural bank may have also set back Dingras' investment terrain.



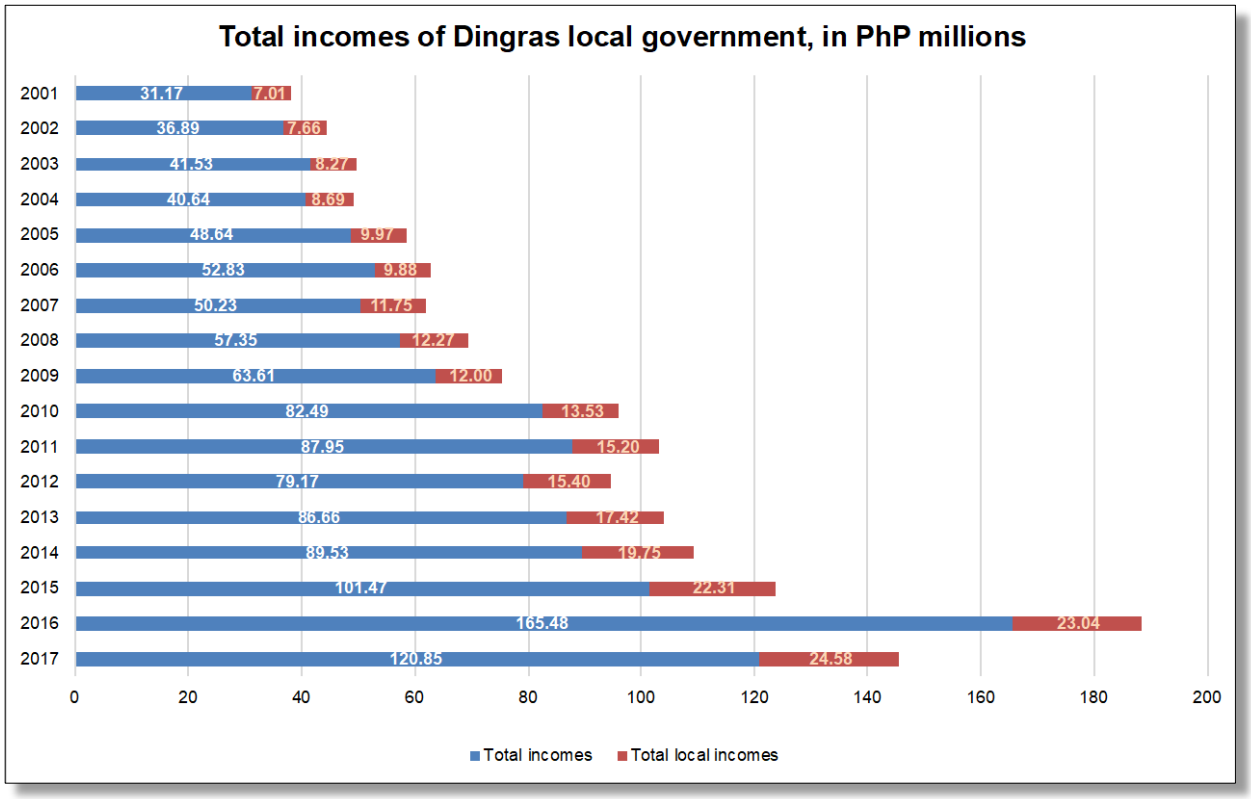
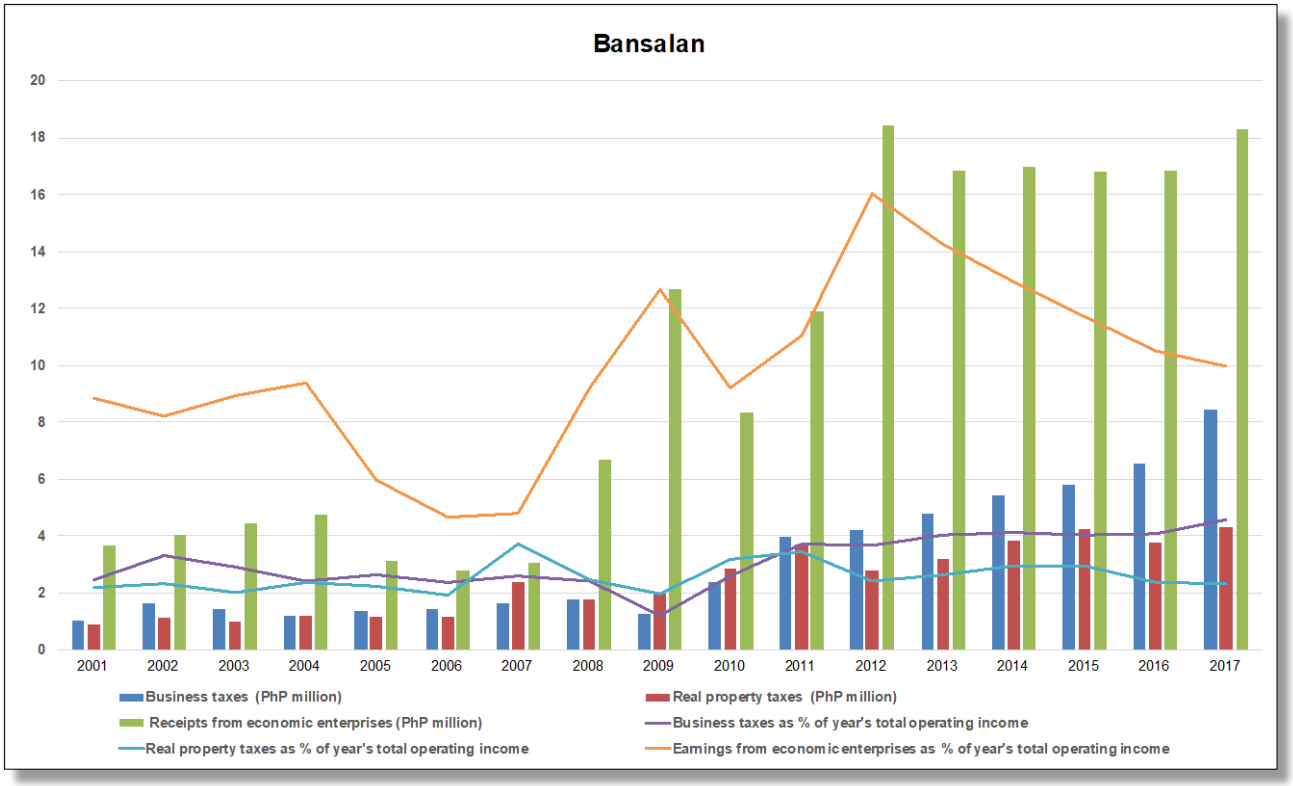


Figure 2: Total incomes of local governments of Bansalan and Dingras

Source: Bureau of Local Government Finance (BLGF), citing 2001-2017 data of Bansalan and Dingras



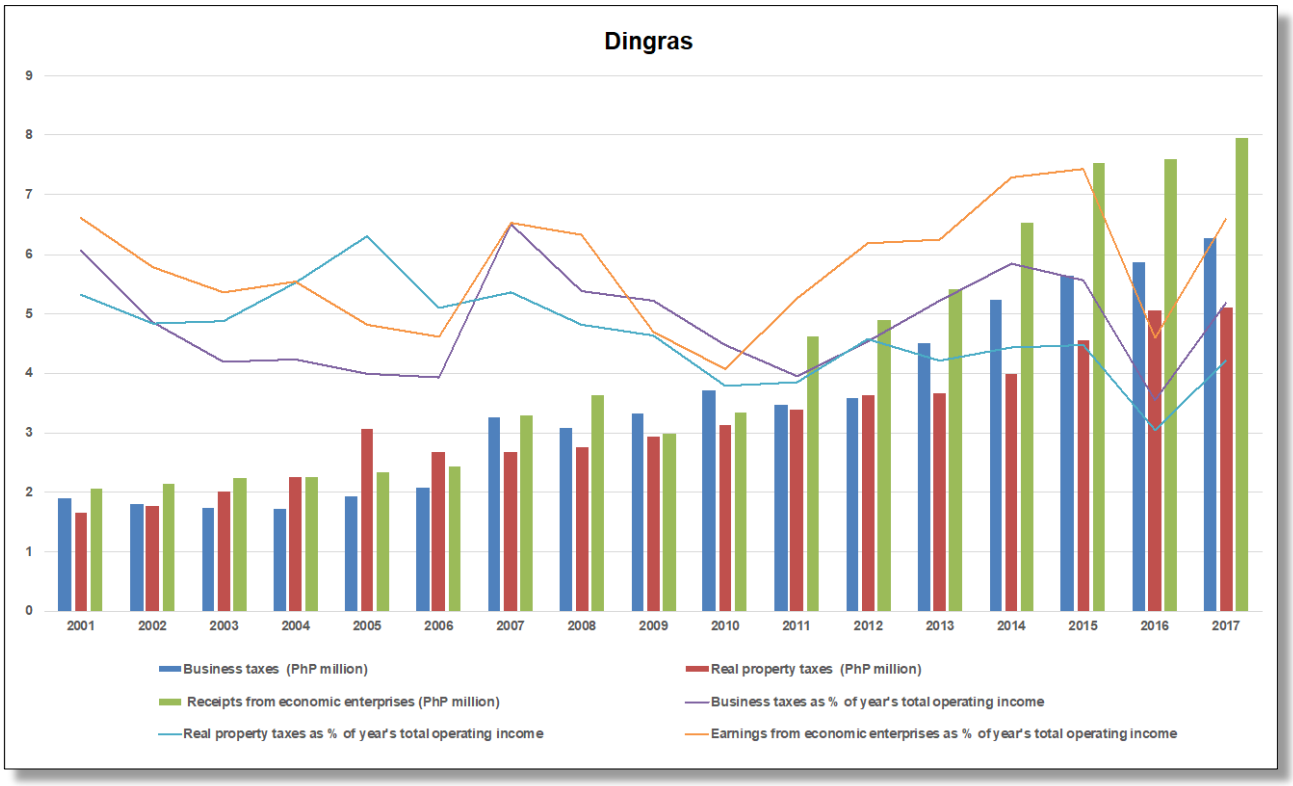


Figure 3: Major local revenues of Bansalan and Dingras and their % shares with annual total operating incomes

Source: Bureau of Local Government Finance (BLGF), 2001-2017 data of Bansalan and Dingras

The Department of the Interior and Local Government (DILG) monitors the performances of local government units (LGUs) with the help of awards schemes: the old Seal of Good Housekeeping (SGH) awards and the new Seal of Good Local Governance (SGLG) award (the latter from 2015 onwards) (DILG-NCR n.d.). These awards schemes enable the DILG and its local government operations officers (LGOOs) to monitor whether LGUs meet minimal local governance standards. Under the old SGH (which ended in 2014), Bansalan won two SGH awards while Dingras received silver and bronze citations in the SGH. However, Dingras and Bansalan have never received the SGLG. This may demonstrate that the two local governments need to improve their local governance standards and mechanisms. The situation may also reveal what a key informant in Bansalan thinks about local governance: capacity development is deficient [BKI-2, interview].

Even with limited numbers of law enforcers vis-à-vis the total population, the two towns are generally peaceful, despite previously reported histories of election-related violence in Dingras, and isolated incidents of insurgency in Bansalan.

4.4 Observations on municipalities' local competitiveness

The earlier sections presented how Bansalan and Dingras fare given the three pillars of the CMCI. This begs us to ask what factors will affect the productive use of overseas town mates' remittances.

Agriculture is an advantage for Dingras. Given its important role in community and economic life, foreign remittances are being used as expected to purchase farm inputs, farm equipment and farmland. Meanwhile, in the non-agricultural sector, cumbersome business licensing procedures (e.g., 20-to-24 steps for business permit applications) may have deterred homegrown and overseas-based town mates who would like to do business back home. Following the closure of the Community Rural Bank of Dingras in late-2016, residents may have

become averse to putting money into deposit-taking financial institutions operating locally. This situation means that remittance earners may miss out on the products and services of banking institutions.

Bansalan, for its part, is riding on the crest of its growing retail sector and its stable manufacturing sector. The financial intermediation sector has also found local entrepreneurs in Bansalan to be a lucrative market for credit provision. However, low water supply and higher electricity costs in Bansalan may be discernible constraints to conducting business.

The following sections will then examine how overseas migrants and their remittances respond to prevailing conditions surrounding local economic competitiveness.

4.5 Overseas migrants vis-à-vis local development and financial inclusion

Year 2014 data from the Overseas Workers Welfare Administration (OWWA) and the Commission on Filipinos Overseas (CFO) show that an estimated 4,122 people have migrated overseas from Dingras (as temporary and permanent migrants), while those from Bansalan based abroad only number 1,624. Dingras residents abroad make up some 10.7 percent of the hometown population, while those from Bansalan comprise only 2.7 percent of the hometown's populace.

There are more female than male overseas migrants originating from both towns, as the number one occupation of overseas migrant workers from both towns is domestic work [see Table 5]. Dingras has an active hometown association (Dingrenios in Hawai'i) that is based in the United States, while Bansalan has a global group, Association of Bansaleños Worldwide. Both groups have been providing philanthropic help. Meanwhile, some individual members of these groups have invested back home. An example of this kind of investment is operating retail-oriented businesses in Dingras [DKI-3, interview]. However, both towns' local

governments acknowledge not having a program to serve the socio-economic needs of their overseas town mates and their families [DKI-2, interview; BKI-3, interview].

Locally operating financial institutions, however, have been trying to target overseas town mates. The Bansalan Cooperative Society leads in this regard. The cooperative has developed a package called the *Kabayan Savings Program and Investment*, which has a two-year, locked-in savings account and a high-yield savings account (minimum placement: P50,000) and comes with a mutual death-aid service, health care, and the opportunity to avail of back-to-back and instant loan products of BCS[3] [BKI-4, interview]. In Dingras, the Sto. (Santo) Domingo Credit Cooperative has a loan product for overseas Filipino workers (OFWs) that allows them to use the money for migration-related expenses like placement fees, document processing expenses, among other services [DKI-4, interview]. Meanwhile, both towns' microfinance institutions offer their usual loan and forced savings products, and have families with overseas migrants among their clients. However, these financial institutions do not intentionally target overseas Filipinos as clients [DKI-5, interview].

The Ilocos region-wide rural bank Rang-ay Bank, through its branch in Dingras, has its own package of products for overseas Filipinos: a multi-purpose credit facility, called the "OFW Loan Program," allows overseas migrant/migrant family customers to borrow up to P30 million (US$576,923.08) for either children's education, house construction or opening and running businesses. Loan periods can be as short as a month to a year, or as long as five-to-ten years; these loans have no processing fees or hidden charges and have lower interest rates (Rang-ay Bank n.d. 2017).

[3] The Bansalan Cooperative Society is among the cooperatives that are part of a program, run by the National Confederation of Cooperatives, to tap into disposable incomes of overseas Filipinos through savings and investment packages of the federation's member-cooperatives [BKI-4, interview].

Table 5: Overseas migration profile of Dingras and Bansalan

	Dingras	**Bansalan**
Migrant workers / Overseas Filipino workers (total) [1]	1,437	1,207
• *Land-based migrant workers*	*1,357*	*1,102*
• *Seafarers*	*80*	*105*
Permanent residents / Emigrants (total) [2]	2,685	417
Total number of overseas migrants [3]	4,122	1,624
Ratio of documented overseas migrants to municipal population (as of 2015 Census)	10.7%	2.7%
Countries of destination		
• *Migrant workers / overseas Filipino workers*	*37*	*45*
• *Permanent residents / immigrants*	*12*	*14*
Destination countries (top three)		
• *Migrant workers / overseas Filipino workers*	Hong Kong, Singapore, United Arab Emirates	United Arab Emirates, Saudi Arabia, Kuwait
• *Permanent residents / immigrants*	United States, Canada, Italy	Japan, United States, Canada
Gender distribution	M: 1,621; F: 2,051	M: 497; F: 1,127
• Migrant workers / overseas Filipino workers		
o Males and females, respectively	365 and 1,072	349 and 858
• Permanent residents / immigrants		
o Males and females, respectively	1,256 and 1,429	148 and 269
Occupations prior to migration of emigrants [2]		
• Employed (top three)		
o Agriculture, animal husbandry, forestry workers and fishermen	294	32
o Professional, technical and related workers	106	20
o Sales workers	49	18
• Unemployed		
o Students	699	111
o Housewives	594	85
o Minors (below 7 years old)	227	82
Occupations abroad of land-based migrant workers (top three)[1]	Domestic worker: 667 Caregiver: 48 Able seaman: 23	Domestic worker: 444 Singer: 63 Able seaman: 43

Sources of data:

1 Overseas Workers Welfare Administration (OWWA);

2 Commission on Filipinos Overseas (CFO);

3 Combined data of OWWA and CFO.

4.6 Hometown entrepreneurship: A family affair with geographic considerations

Researchers interviewed eight migrant households apiece in Dingras and Bansalan, with seven of those 16 interviewees running businesses in their hometowns. Seven migrant household entrepreneurs in Dingras and Bansalan ran similar businesses: for non-agricultural ventures, small retail (*sari-sari*) stores were common; one engaged in small (informal) lending to town mates. Agricultural ventures include farming and a piggery. These are typical business ventures in rural hometowns (Ang and Opiniano 2016a; 2016b; 2016c).

Participants in the focus groups in both towns were asked what factors they would consider in opening a business in their rural hometowns. Three general "factors" were mentioned. One of these factors is the family [Bansalan FGD]. Within the families of interviewed respondents, there are varied circumstances of how their migrant families arrive at their decisions to venture into business. These circumstances also depend on the life-cycle stages of families concerned (e.g., those with children, those who are single who tend to their ailing parents, and those who are unmarried), and on the length of overseas stay by migrant loved ones.

Another factor, geographic considerations, also played a role. This does not just concern the space available for running a business, but is also about entrepreneurial opportunities, given what opportunities the two municipalities currently offer. Interviewees explained the influence of geography in entrepreneurial decisions:

- One consideration is *local need (i.e., in the village)*. This means a certain type of business is needed in a village within the hometown. One migrant household entrepreneur-respondent [DKI-28] said that "You will not run out of buyers because our place really needs a store. There are not many (retail) stores here." The respondent's small retail store targets neighbors and strangers; this entrepreneur indicates that buyers would otherwise need to go all the way to the neighboring municipality of Solsona to buy such goods (DKI-28).
- Another consideration is *suitability*. This means a certain type of business or investment fits the locality. An example there was one entrepreneur from Dingras who has a farm and a

piggery [DKI-23]. In the context of Dingras being an agricultural town, the respondent's comment sums it up: "Such a business really fits Dingras." Another respondent from Dingras also took note of the limited number of jeepneys there (jeepney operations from Dingras end at 6 pm, owing to the distance of Dingras to neighboring towns and to Laoag City). That is why the jeepney trade is suitable for this respondent [DKI-59]: "Operating a passenger jeep needs little understanding. You will surely have income from the fares of passengers. This venture will serve its purpose for a long time."

- A third consideration is *accessibility*. This concerns the proximity of the venture to customers, given the topography of the business venture's location. Again from Dingras, a respondent [DKI-103] is having difficulty getting customers, as the store, being inside a compound, is not strategically located. The respondent said that "I want to expand my store and transfer it so that it will be more accessible to the customer." The same insight is provided by a piggery owner from Bansalan [BKI-37], whose venture is in a remote barangay—thus posing difficulties to finding buyers: "The location of my business is very far from the (center of the) municipality."

4.7 Indications of remittances' potential in two hometowns

Given these realities surrounding the local economic competitiveness of Dingras and Bansalan, how have overseas remittances then played a role in local economic competitiveness? Table 6 shows the extent of remittances in local economic development in the two towns. Data here are snapshots of the household surveys that were conducted as part of RICART (employing stratified random sampling). Migrant and non-migrant households (N=200 apiece per respondent-group, per hometown) were surveyed, with the latter serving as a comparison group. Random sampling was employed in the surveys.

The average annual incomes of migrant households in both towns are still below that of the regional averages. The average annual income in Region I (Ilocos region), where Dingras is located, is PhP287,000, while in Region XI (Davao region), where Bansalan is located, is PhP 268,000 (Philippine Statistics Authority 2019). The average income in Dingras is 37% of Region I, while Bansalan is only 16% of Region XI. These data tell us that the towns are still playing catch up with the major competitive cities and towns in their respective regions. These averages may also indicate that both towns' overseas migrants are in lower-paid occupations; while Dingras may have more permanent residents and naturalized citizens, these family members may not be remitting regularly (i.e., monthly) back home.

Table 6: Indications of overseas remittance owners' economic engagements in hometowns

	Migrant households, per municipality		By type of household, both municipalities	
	Dingras	**Bansalan**	**MH**	**NMH**
• Average household income (monthly), PhP	105,588	42,431	82,789	69,228
• Average foreign remittances received (monthly), PhP	24,037	10,400	16,753	NA
• Savers (with savings accounts), % of respondents	43.0%	33.0%	37.3%	37.8%
• Average amount saved, PhP	14,989	7,193	9,370	13,535
• Investors, % of respondents	12.3%	24.9%	21.7%	16.4%
• Entrepreneurs, % of respondents	11.0%	10.4%	10.3%	10.6%
• Households' agricultural incomes (% share)	63.6%	42.0%	44.7%	36.3%
• Households' non-agricultural incomes (% share)	41.2%	48.9%	54.1%	55.3%
• Share of overseas remittances to total income	23.6%	28.0%		
• Income-class of the municipality	2nd class	1st class		

Totals may not add up due to rounding off

Legend: MH – migrant households; NMH – non-migrant households; NA – not applicable

Source: RICART household surveys in Dingras and Bansalan, 2016-2017 (JICA Research Institute)
(Per municipality - Migrant household respondents: 204 in Dingras and 216 in Bansalan;
Non-migrant household respondents: 214 in Dingras and 202 in Bansalan)

The average remittances that Dingreño migrant households receive are more than double that of Bansalan migrant households. This hefty difference is due to the larger share of permanent migrants in Dingras, mostly based in the United States, who are either working as professionals or are already permanent residents and naturalized citizens. On the other hand, in terms of the net of permanent migrants, both towns have about the same number of overseas workers who work (similarly) as domestic helpers and seafarers [refer to Table 5]—both are leading occupations of overseas Filipino workers.

The differences in remittances received may help to explain the big disparities between those households who save and the amounts they save. Dingras has about 43 percent of its migrant households saving an average of PhP14,989, as against Bansalan migrant households, with 33 percent and average savings of PhP7,193. What is surprising, however, is that both the migrant and non-migrant households of both towns have approximately the same percentage of savers—about 37 percent of the population. Note that the savings rates of the two towns are more than double the national savings rate of only 14.2 percent (Asian Development Bank 2019).

A surprising result from Dingras emerged in regard to hometown investment. Even though migrant households in Dingras save more, there are fewer remittance households from Dingras who made hometown investments (12.3%) compared to counterpart migrant households in Bansalan (24.9%). Not surprisingly, migrant families also tend to invest more than non-migrant families.

Looking into the details of investments in both towns [omitted from Table 6], people in Dingras have mostly invested their funds into agricultural assets and livestock. People in Bansalan, meanwhile, have invested in real estate—primarily land and houses. More than 60 percent of households in Bansalan have invested in real estate, while less than two percent in Dingras have done the same. This is likely because people in Dingras already own their real

properties, and there is no need to acquire new properties. Owning such assets might also be the reason why migrant households in Dingras save more: they are no longer paying mortgages.

Meanwhile, only about 10% of residents from both towns (including non-migrant households) are engaged in business. Business income is derived from agricultural and non-agricultural incomes, and from overseas remittances. In Dingras, about 64 percent of income comes from agricultural activity, compared to only 42 percent in Bansalan. Migrant families also earn less from agricultural and non-agricultural activities, suggesting that overseas remittances may be creating moral hazards. About 28 percent of migrant families' incomes come from overseas remittances in Bansalan, while the share of remittances for migrant families' total household incomes in Dingras is 24 percent.

Overall, it is difficult to *fully link* remittances with the competitiveness of the hometowns. In the case of Bansalan, the investments in real estate are evidence of improving competitiveness: property values in Bansalan are more than 12 times higher than that of Dingras. Similarly, wages are 33 percent higher in Bansalan as well [see Table 4]. These are indications that, while Bansalan's migrant households are more dependent on remittances than their counterparts in Dingras, increasing economic valuations in Bansalan suggest that remittances are contributing to the improvement of Bansalan's competitiveness, though not necessarily in terms of productivity.

5. Discussion: Mixed Methods Inferences

This qualitative research provided snapshots of the local investment climates of two Philippine rural municipalities in consideration of (more) prospective investments coming from overseas remittances. This comparison is contextualized to a rural municipality's proximity to a capital city (Bansalan) or its remoteness (Dingras)—regardless of how many overseas migrants the individual municipalities have. This case study research employed a rapid rural appraisal (Beebe

1995) that was guided by the Philippine government's Cities and Municipalities Competitiveness Index (CMCI). Not surprisingly, both complementary and contradictory findings emerged from both municipalities.

In this section, the researchers present mixed methods inferences with the use of the pillar integration process or PIP (Johnson, Grove, and Clarke 2019). Inferences developed were based on the three pillars of local economic competitiveness under the CMCI [see also Figure 1 and Table 2].

- ***Economic dynamism.*** Business activities in Bansalan are slowly gaining headway, and the costs of doing business there seem to be manageable for entrepreneurs. For Dingras, the municipality's business environment makes do with what it has (just below 300 registered enterprises). That being said, the overseas migrants of both municipalities have yet to be more actively involved as hometown entrepreneurs (only one in ten migrant households in both towns have enterprises locally). This is despite the cost of doing business in Dingras being affordable.

  Overall, only 37 percent of households from both municipalities have savings accounts. Migrant households in Dingras save more than their counterparts in Bansalan, as the former community's amount of savings (on average) may be a push to open savings accounts. Bansaleño's migrant households may be saving less, given the lower salaries of loved ones abroad. However, both households may be missing out on the opportunities of having formal relationships with financial institutions. This refers to these institutions' financial products: deposit and loan products of banks, as well as entrepreneurial credit and forced savings schemes from cooperatives and microfinance institutions. The situation may reveal limited financial knowledge on the part of these dollar earners.

  As for the local governments concerned, they may have to increase their *facilitating roles* (Brinkerhoff 2012) by providing current and would-be entrepreneurs with lesser burdens

and affordable costs for doing business. This is where their local investment incentives codes (LIICs) come into play, as well as other prospective local policies to support micro-, small- and medium-sized entrepreneurs—non-migrant and migrant (Opiniano 2012).

- ***Government efficiency.*** Both municipalities' overseas migrants and their families may feel less encouraged to invest and do business back in their hometowns. Less than a fourth of migrant households from Bansalan (24.9%) and Dingras (12.3%) invested back home. This development may have something to do with how town mates abroad perceive their hometowns' local governance overall, and specific efforts to improve their localities' investment climates in particular. Current efforts by the two municipal governments may not be enough to inspire town mates abroad to risk their savings and investible funds back home. It seems overseas migration will continue to be a major income-generating activity for Dingreño and Bansaleño migrant households.

  Local governments may have to demonstrate to the general citizenry, including those abroad, a medium-term commitment to improving their ways of local governance. Doing so will also cover generic and specific interventions to improve local investment and business climates (Ang and Opiniano 2016a). That being said, the *mandating roles* (Brinkerhoff 2012) of local authorities—of setting a legal and regulatory framework for a more conducive local investment climate—may warrant further improvements and demonstrated examples. For instance, both local governments may create local policies and a dedicated program designed to improve residents' financial literacy.

- ***Infrastructure.*** As expected, the municipality with proximity to a city (Bansalan) gets immediate economic spill-over benefits coming from the neighboring city. Dingras enjoys some economic spill-over benefits from the nearest city (Laoag City), though the geographic and road terrain connecting both places is visibly challenging.

To the credit of both municipalities, most of the needed infrastructure (road connectivity, communication facilities, social services) is present—except for the lack of tourist facilities, and the limited water services reaching many households in Dingras (which is fortunate to have a dam). The municipal governments of Dingras and Bansalan are accelerating infrastructure projects (e.g., paved roads, farming facilities, health facilities, irrigation) amid challenges in financing these initiatives. Studies have empirically shown the positive benefits of road infrastructure on rural economic activity (e.g., a road improvement project that economically benefitted fisherfolk in a Philippine rural municipality, as described by Olsson 2009). What may be needed by both municipalities is to pro-actively link infrastructure availability to necessary policy and program reform measures for their localities' investment climates.

Overall, local economic competitiveness conditions in both Bansalan and Dingras may warrant further improvement and provide residents, based at home and overseas, with further encouragement to invest and do business back home. Thus, the rural hometown, its financial institutions, and its local stakeholders may need to develop pro-active partnerships through a *partnering role* (Brinkerhoff 2012). Moreover, improving the investment climates of Bansalan and Dingras necessitate *enabling roles*—policy reforms, program innovations, and less cumbersome regulations—from local authorities. That being said, interventions to improve the local investment climate in these rural communities are not just for local residents but are also for overseas-based town mates (Ang and Opiniano 2016a).

The CMCI helped see connections between the role of a rural hometown's local economic competitiveness to harness overseas remittances for hometown development. The CMCI effectively outlined the overall role of local communities in harnessing the development potential of overseas remittances. Methodologically, the rapid rural appraisal design helped to quickly but (almost) completely assess the prevailing local competitiveness conditions of

Bansalan and Dingras. Future research can utilize their countries' own local economic competitiveness indicators.

As for the place of overseas migrants in local development, the lack of knowledge and programs by local governments for migrants' town mates has been found elsewhere (Nijenhuis 2010). Dingras and Bansalan have yet to maximize such potentials from their own overseas migrants, beyond interacting with them through seasonal cultural events (e.g., fiestas), occasional philanthropic aid, and remittance owners' spending and economic activities.

6. Conclusion

Remittances from abroad provide a visible economic gain for the origin communities of overseas migrants from developing countries. However, one has to clearly see the inevitable role of geography in migration and development (Gamlen 2014), particularly noting the local contexts where investment and entrepreneurship operate (including topography, the institutions present, and local regulations). This is why the researchers premised this *exploratory* qualitative case study research on how geographic location, local governance performance, local investing conditions, and interactions between and among local economic agents all figure into aspirations to harness overseas remittances for local development. These elements all provide "complex, indirect ways" (Taylor et al. 1996, 397) that drive the geographically contained development outcomes of remittances. Inevitably, producing and sustaining conducive local investment climates will have to be co-managed by local development stakeholders.

Qualitative findings here reveal that local governments play primary roles in ensuring a competitive rural locality that encourages entrepreneurs and investors, like overseas Filipino town mates, to naturally invest back home. A review of prevailing policies and investment/entrepreneurial conditions is necessary for both Bansalan and Dingras —leading to policy reforms and program innovations (e.g., simpler business registration systems,

community-wide financial literacy) that lower the cost of doing business and incentivize overseas town mates to send or bring home more investible resources. Visible investment climate issues or bottlenecks prevail, especially in terms of regulations for investors and entrepreneurs. Overseas town mates may be searching for visible results in the short-to-medium term, i.e., that Bansalan and Dingras are worthy of investment and good places to do business in.

Finally, the pilot use of the micro-economics of competitiveness concept (Porter 2000; 2004) helped ascertain the competitiveness of a locality to all sorts of investments—not just from overseas remittances. Future research, preferably employing mixed methods designs, can empirically determine the links and geographic contexts surrounding the microeconomics of competitiveness and overseas remittances. Qualitative findings on the economic competitiveness conditions of a hometown can be complemented by quantitative surveys on rural residents' perceptions of their localities as economically competitive (e.g., local entrepreneurship and its policies, the products and services of financial institutions, road networks, reliability of utilities and communication infrastructure, and the performance of local authorities to ensure business and investor friendliness, etc.).

The MoC as a framework is a first step in further enriching analyses of remittances and local development. Local authorities can use such indices in analyzing competitiveness to clearly indicate how their communities may be attractive or discouraging to investments by overseas migrant town mates. This local competitiveness index thus substantiates the role of the hometown community in harnessing the local development potential of remittances. That way, migrant town mates themselves will have a future to look forward to, and possibly a rural hometown to be proud of, while they are physically away. While the CMCI is already institutionalized in the Philippines, less than 10 percent of localities are participating in the rankings. However, it can provide a way to eventually analyze the impact of competitiveness and remittances to local economic development. This way, the Philippines can fully estimate the contribution of both to national economic development.

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Appendix: Mixed methods inferences on the roles of rural hometowns to attract remittances for hometown investing [using the pillar integration process]

CMCI indicator	Bansalan	Dingras
Economic dynamism	Business activities in Bansalan are slowly gaining ground. The cost of doing business in Bansalan may also seem to be manageable for investors and entrepreneurs. However, these have yet to make a dent in improving household incomes. Bansalan's overseas migrants have yet to maximize their potential economic roles locally. Amid the presence of financial institutions locally, and the offering of migrant-tailored financial products and services, overseas migrant households have yet to maximize being financially included. This may be because they claim remittances right away and do not save some of the remittances in financial institutions, or they still only have meager amounts of savings.	Moneyed overseas town mates of Dingras directly provide benefits to their families. But the indirect benefits of remittances in Dingras, especially in terms of entrepreneurship and stimulating demand for goods and services, have yet to escalate. Overseas town mates have yet to capitalize on the low costs of doing business in Dingras. Migrant households in Dingras may be driving residents' financial inclusion within Dingras. However, given fears of placing money in the remaining operational banking institution locally, remittance households may either keep their savings for themselves, or they may be spending their incomes, or acquiring other assets (e.g., bungalow houses).
Government efficiency	Overseas remittance households from Bansalan have yet to realize the opportunities for investing and doing business in their rural hometown. While there may be efforts by the municipal government to lessen the burdens on moneyed investors and entrepreneurs, prevailing economic activities in the municipality may not be enough at this point to encourage overseas town mates to invest in their hometown.	The slow growth of business activities in Dingras, as well as visible bottlenecks in the locality's investment climate, may have driven overseas migrant households from investing and opening enterprises in their rural hometown. Thus, these moneyed households may find foreign remittances to be a more stable, lucrative income source than entrepreneurship.
Infrastructure	Investors and entrepreneurs in Bansalan may enjoy the town's geographic connections to markets outside the locality. Communication and tourism infrastructure, as well as the current state of public transportation, are advantages for local investors and entrepreneurs. However, overseas remittance households have yet to place much of their resources as investments and entrepreneurial capital in Bansalan.	Dingras, for now, seems to be an investing and entrepreneurial area that may only suit its own residents. The geographic location of Dingras poses a challenge for buoying local investment and entrepreneurial activities, as well as enticing overseas-based town mates to do hometown investing.

Mixed methods inferences developed here were products of the pillar integration process (Johnson, Grove & Clarke, 2019)

Abstruct (in Japanese)

要約

海外送金を出身地の開発に活用するために、出身地のコミュニティは重要な役割をはたす。この役割とは、海外に出稼ぎに行っている出身者を含む全ての企業家・投資家にとって、地元経済の競争力を確かなものにすることである。本稿では、フィリピン農村部の２自治体を例に、地元経済の競争力について定性的な分析を行った。地元経済の競争力を評価することは、コミュニティや自治体政府の役割を明確化するために役立つ。また、出稼ぎ移民からの送金が地元の競争環境によってどのように変化するか、理解を助ける。

本稿では、混合法を用いた研究 Remittance Investment Climate Analysis in Rural Hometowns (RICART)において実施した、Rapid Rural Appraisal (RRA)に基づく質的分析の結果を紹介している。RRA では、地域経済の競争力に関し、国際的及びフィリピンに適応させた指標を用いて考察した。その結果、これらの自治体では競争力を阻害するボトルネックが存在し、出稼ぎ移民による地元への投資や起業を難しくしている可能性が見られた。当然ながら、地方政府による投資環境を改善するための介入が重要と言える。

キーワード： 海外送金、出身地への投資、地域経済の競争力、地域の投資環境、Remittance Investment Climate Analysis in Rural Hometowns (RICART)

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JICA-RI Working Paper No. 209

Remittance Investment Climate Analysis: Framework and Methods to Ascertain the Local Development Potential of Overseas Remittances

Jeremaiah M. Opiniano and Alvin P. Ang